The Living Company: Habits for Survival in a Turbulent Business Environment

Arie de Geus (1997)

Why Read It?

• Provides the testimony of someone who was a professional businessman, but who believes that companies must be fundamentally humane to prosper.
• Explains why so many companies don’t last, and teaches about corporate longevity and how to survive the upheavals of change and competition over the years.
• Puts its faith in company learning, and represents a careful and powerful riposte to corporate nihilism.

Getting Started

The Living Company looks at the problem of corporate failure, presenting alarming statistics on the relatively short life of European and Japanese enterprises. It argues that short-term focus on profits, rather than nurturing people, is a key factor in failure. As a winner of the Financial Times/Booz-Allen & Hamilton Global Business Book Award, it is a classic text on how businesses can be run effectively.

Author

Arie de Geus (b. 1930) was the Head of Shell Oil Company’s Strategic Planning Group, and is a public speaker. Since his retirement he has advised many government and private institutions, worked for MIT’s Center for Organizational Learning, and as a visiting fellow at London Business School.

Context

• Considers all corporate activities to be grounded in two hypotheses: the company is a living being, and decisions result from a learning process.
• Argues that corporations should last as long as two or three centuries, but the reality is that companies usually die young, as they focus on profits rather than on human issues.
• Sees a successful company as one that can learn effectively, and dedicate a great deal of time to nurturing its people.
• Shows that learning means being prepared to accept continuous change, and a company can only change if its community of people changes with it.
• Identifies four key characteristics of long-lived companies: being sensitive to their environment, being cohesive, having a strong sense of identity and tolerance, and being conservative in financing.
• Proposes that the wisdom of the past be appreciated and used, rather than cast out in the manner of a cultural revolution.

Impact

• Based on thorough research while at Shell to identify the characteristics of corporate longevity, it was found that the onus should be on keeping excitement to a minimum; the average human centenarian advocates a life of abstinence, caution, and moderation; and so it is with companies.
• Sees the living company as an organism, existing primarily for its own survival and improvement.
• There is more to a company and to its longevity than mere money making. The skills, capabilities, and knowledge of people are paramount; capital is no longer king.
• As compared with the movement in corporate reengineering, de Geus thinks that businesses should evolve rather than start completely afresh.
Quotation

“Learning is tomorrow’s capital.”

More Info

Books:


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• Author’s website: www.ariedegeus.com

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